United States
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Foreign Agricultural Service

May 1987

Foreign Agriculture

The Dollar's Decline: What It Means For Exporters

Marketing News

U.S. Food Promotions Staged During America's Cup Finals

Capitalizing on the large crowds, media publicity and public interest surrounding the America's Cup finals in Perth, Australia, the **Foreign Agricultural Service** and the **Foreign Commercial Service** staged two promotions of U.S. agricultural products there in February.

A U.S. consumer fair was held during the race at Karrinyup shopping center, featuring U.S. beef, wines, walnuts, hazelnuts, other natural foods, beer and liquors. Excellent sales were reported, as well as particularly strong interest for beef, walnuts and beer.

Also, the U.S. ambassador to Australia officially launched sales of U.S. beef in Western Australia at a dinner during the week of the race. Guests included two of Western Australia's state ministers. The U.S. ambassador branded a side of beef to kick off the evening. Media coverge was heavy and included a large number of major food writers.

ATO Algiers To Participate in Show

The **Agricultural Trade Office in Algiers** will participate in the June 1987 Algiers International Fair and is soliciting the participation of cooperators, state departments of agriculture and private firms. For further information, contact the trade office in Algiers at (011-213) 786-025 or 797-352. Telex 61484 USAGR DZ.

Feed Grains Project A Success in Middle East

The **U.S. Feed Grains Council** has sponsored a successful lamb-fattening project in Jordan that has gained the attention of a number of Arab governments anxious to raise the level of sheep production in their countries. The Council's consultant, Colin Campbell, reports that five more lamb-fattening units are now being planned in Jordan, each with a capacity of 3,600 lambs. The goals of the project are to remove sheep production from using scarce forage resources and to provide a more constant supply of fattened lambs to the Jordanian market.

The project has convinced the Jordanians of the value of importing concentrated feedstuffs, mainly barley and soybean meal, despite a preference for materials of local origin. Imports of the barley and soybean meal are acceptable to the Jordanians because lamb fattening is a very efficient use of feedstuffs. Also, feedstuffs are cheaper to import than meat. The Council hopes to replicate these projects throughout the Middle East.

Red Meat Advertising Campaign Targeted at Japan

A combination of television commercials and print advertisements will be run simultaneously in Japan as part of the **U.S. Meat Export Federation's** Targeted Export Assistance (TEA) program in Japan. Two television commercials will be aired incorporating the theme, "Really Delicious Red Meat — Try It!" The focus of the campaigns will be Tokyo and Osaka, which have more than 50 percent of Japanese households.

The Federation's Asian Director, Phil Seng, explained that one commercial will be family oriented and filmed in a countryside setting. The other ad will be cosmopolitan and is scheduled to be filmed in San Francisco. While in the United States, Dentsu, the Federation's advertising agency which is filming the commercials in the United States, also is taking photographs and gathering information for posters and other materials that will be used to educate Japanese consumers about U.S. red meats.

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Major trading nations soon will be using a new system to help in tariff determinations, negotiations and trade statistics.

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The Dollar's Decline: What it Means for Exporters

What does the decline in the U.S. dollar over the past 24 months mean in terms of sales prospects for U.S. exporters? Michael Dwyer, who is with FAS' Trade and Economic Information Division, talked with ***Foreign Agriculture*** *about how the dollar has affected U.S. competitiveness overseas. He also offered some pointers on what an exporter can do to take full advantage of changes in the dollar's value.*

FA: Is there a simple way to describe what the decline in the dollar actually means to U.S. exporters?

Dwyer: When the popular press talks about the decline in the value of the dollar, it is generally referring to how the dollar is performing against a "basket" of major industrial currencies. Since March 1985, the dollar has declined by 28 percent against this "basket."

However, in the past two years, the dollar has dropped 40 percent in value against the European Currency Unit (ECU)—which represents a basket of European currencies. It has dropped by a like amount against the Japanese yen—and is now hovering around its postwar low.

To put it very simply, these declines mean that when U.S. exporters sell to these countries, the selling price in local currencies is 40 percent less than it was two years ago. Of course, this assumes no change in the U.S. price and no increase in import tariffs.

It also means that when we compete against countries—such as EC members—in other markets around the world, we are in a better competitive position than we were a year ago. This will continue to hold true provided the EC doesn't increase the size of its export subsidies to offset the decline in the value of the dollar.

It is important to keep in mind, however, that in agriculture we are not always facing competition from the major industrial countries. Particularly in bulk commodities, we get quite a bit of competition from the lesser developed countries.

FA: What has happened to our market position against countries that aren't part of the "industrial" group? Has the dollar made us more or less competitive?

Dwyer: In the same two-year period that the dollar has declined 40 percent against the yen and the ECU, it has actually risen against the currencies of many of our Third World competitors.

The dollar has soared against both the Brazilian cruzado and Argentine australe in the past two years—by 446 percent and 578 percent, respectively. This is mainly because of their high rates of inflation.

Brazil is a major competitor of ours in soybeans and products while Argentina is a competitor in corn, wheat and soybeans.

With the dollar rising so dramatically against their currencies, it makes it much more difficult for us to compete against these nations, despite their high inflation. The decline in the U.S. share of the EC soybean market in the past few years has been the result of rising shipments from Brazil and Argentina. Both countries' export efforts have benefited from their depreciating currencies.

In addition, there are a number of countries in the newly industrialized economic group whose currencies are "pegged" to the value of the dollar. That means their currencies move in tandem with ours.

The currencies in two of our big markets in the Pacific Rim—Taiwan and Korea—are pegged to the U.S. dollar. So we haven't gained much in the way of currency benefits there.

FA: Does this mean that agricultural exporters aren't really benefiting from a lower dollar?

Dwyer: No, but it does mean that a lot depends on what product U.S. exporters are selling, who they are selling to and who they are competing against.

For example, if you're selling bulk commodities, such as grains or oilseeds, you may frequently be in head-to-head competition with a Third World exporter whose currency is depreciating against the dollar. Or you may be competing against Canada or Australia, whose currencies haven't changed much against the dollar in the past two years. Therefore, no currency-related competitive edge can be expected against these countries.

If you are competing against the European Community in third country markets for such products as wheat and coarse grains, the large EC export subsidies have so far offset many of the benefits of the lower dollar.

Likewise, if you are trying to sell bulk grains or a number of other products to the EC, you have to contend with the Europeans' variable import levy system which negates much of the benefits of the lower dollar.

However, you can realize some big competitive advantages from the dollar's decline if you are exporting one of a large number of high-value products.[1]

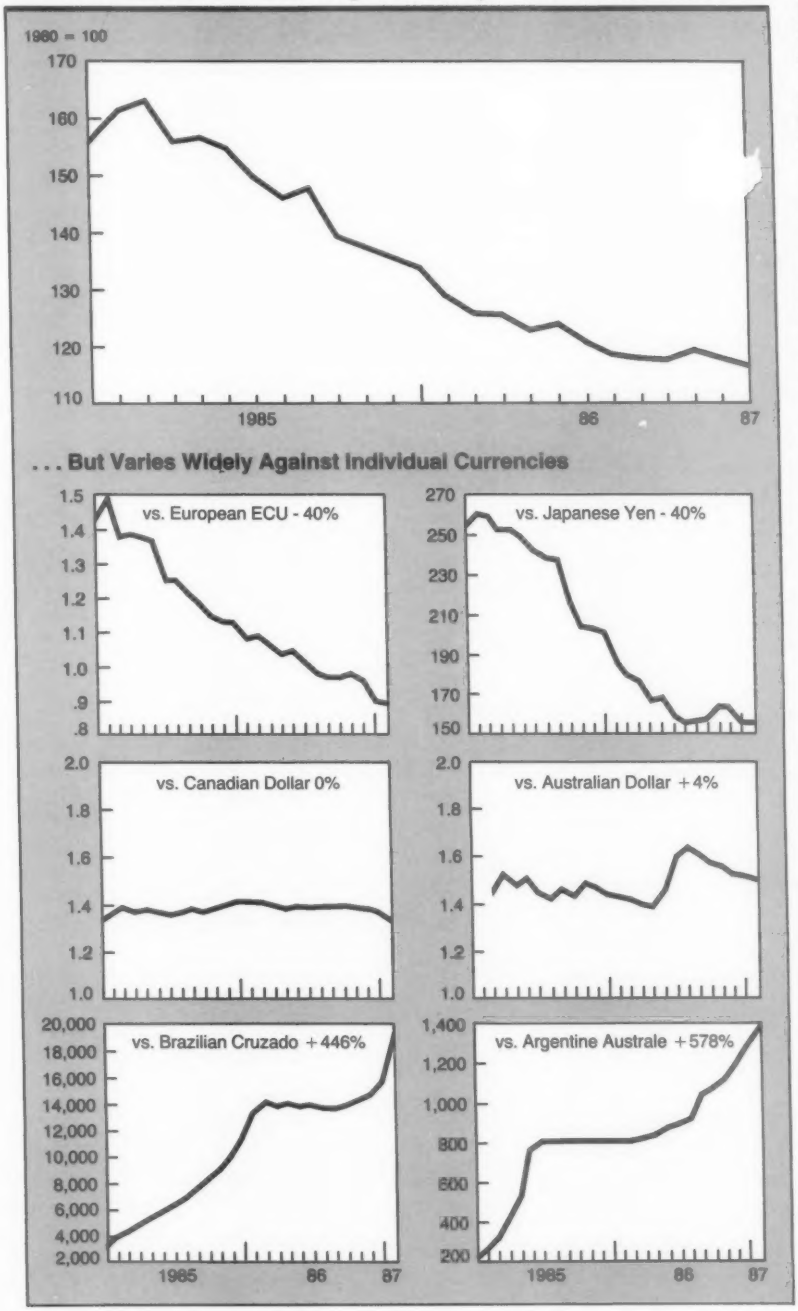
The reason is that the United States and the EC are, by far, the two largest and most diversified export competitors in the world for high-value products. They also are the two largest import markets.

Since the dollar has declined so sharply against the ECU, U.S. exporters are naturally in a more competitive position vis-a-vis European competitors, even in their own market for many products.

With many economists predicting further declines in the value of the dollar, the United States' competitive position should continue improving—barring any significant boost in EC export subsidies or import tariffs for high-value products.

[1]High-value products include processed items as well as unprocessed items such as fruits, vegetables, meats and poultry with high unit values.

Dollar Has Declined 28 Percent Against 10 Major Industrial Currencies



FA: Have any benefits from the dollar's decline actually shown up in our trade statistics?

Dwyer: The benefits from a falling dollar were very apparent in fiscal 1986—at least for high-value products.

The volume of U.S. high-value exports increased almost 16 percent from the previous year with 16 of our top 20 markets registering increases. In fact, high-value exports now account for approximately half of the value of our total agricultural exports.

This positive trend will continue in fiscal 1987. We have already seen a 24-percent increase in U.S. exports of high-value products during the first quarter of fiscal 1987 over a year earlier.

Products showing significant increases include feeds and ingredients, seeds, poultry meat, fresh fruit, processed fruit, processed vegetables and beef.

Given the fact that world import demand for high-value products is growing faster than demand for bulk products, and assuming the dollar continues to fall, U.S. exports of high-value products should continue rising through the end of this decade.

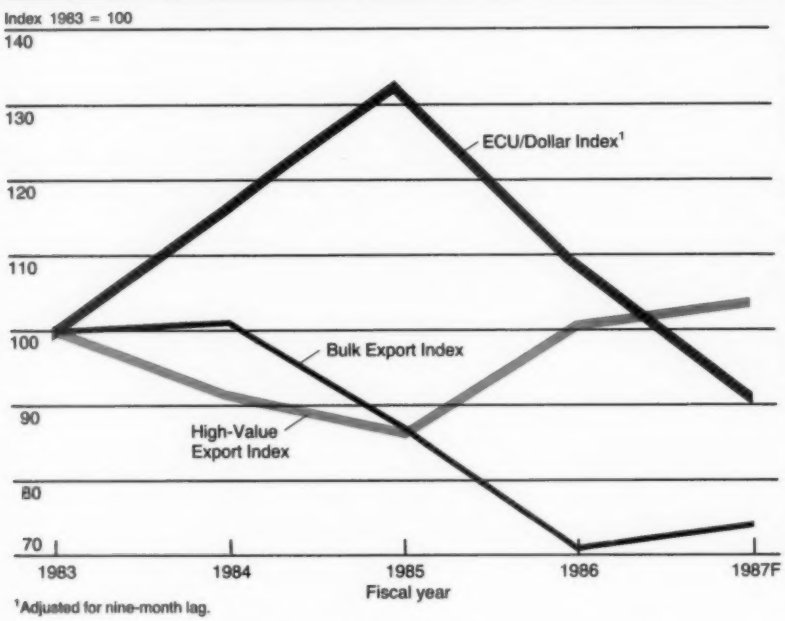
FA: Are all the effects of the declining dollar positive? Are there any negative aspects to the decline?

Dwyer: The downside is that as the dollar drops against a foreign currency, it costs U.S. exporters more to do business overseas. Exporters can do a lot less promotion and market development in many of our largest overseas markets today than they could only two years ago for the same amount of money.

Actually, the exporters who are really in the "cat-bird seat" now are the ones who weren't discouraged a couple of years ago when the strong dollar put them at a price disadvantage in the overseas market.

They went ahead with their market development and promotional activities—which were comparatively inexpensive at that time because of the strong dollar.

Volume of High-Value Agricultural Exports Responds Positively to Falling Dollar



[1]Adjusted for nine-month lag.

They made their contacts and got their distribution networks set up—and now that the lower dollar has made their prices competitive once again, their export sales are ready to take off.

If you only start looking at an export market once the dollar drops, your promotion costs go up right away, and it takes time to set up a distribution network. But generally there is a lag of six months to a year-and-a-half before you will see the full positive impact of the dollar decline show up in your sales.

FA: Are you saying that exporters not already established overseas have missed the boat?

Dwyer: No, not at all. This is still an excellent time to get into exporting, or to expand your export efforts.

Private forecasters are projecting a continued decline in the dollar through 1989. If that does come to pass, U.S. products, especially high-value products, will continue to become more and more competitive throughout the remainder of this decade.

FA: Do you have any special advice on what an exporter can do to realize the fullest benefits from the dollar's decline?

Dwyer: The dollar's decline will make you more competitive in the international marketplace—but it's no substitute for aggressive marketing.

If you want to sell overseas, you've got to research and identify the most promising markets and then get over there and let people know what you have to sell and why they should buy from you. For consumer-ready products, you should express willingness to adapt the product to satisfy consumer preferences.

Don't count on the cheaper dollar alone making the sale for you!

Also, remember that quality can be a major selling point in the international market. Many consumers overseas are willing to pay a premium price for a premium product. A lower dollar means you can supply a premium product and still be price competitive-with a lower quality product from a nation whose currency has risen against the dollar.

One final piece of advice, I suggest you check to see if there are any government programs to help you in promoting your product overseas. FAS alone operates a wide variety of promotional programs through its attaches, its Agricultural Information and Marketing Services and the Export Incentive Program.

One fairly new promotion effort undertaken by FAS is the Targeted Export Assistance (TEA) program, launched in 1986. This program helps trade groups and commodity associations promote a wide variety of products, particularly high-value products.

For these trade groups and associations, TEA promotion funding can offset to some extent the negative effects of the dollar's decline on overseas promotional activities. ■

The Interviewee is with the Trade and Economics Division, FAS. Tel. (202) 382-1293.

U.S. Wines Are Coming Of Age in Japan

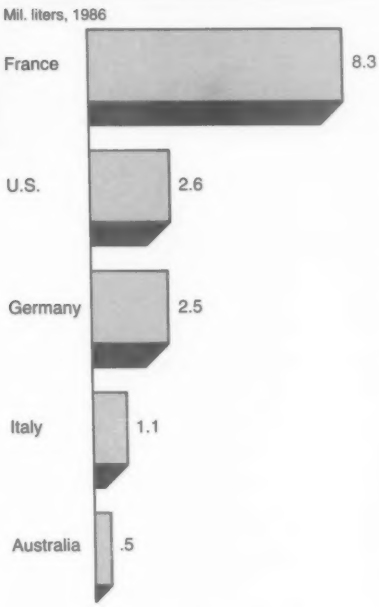
By Suzanne Hale and Leslie Berger

With their gourmet traditions more than a thousand years in the making, it was only a matter of time until the Japanese discovered the appeal of U.S. wines. Consumers there are finding California white wines in particular make an excellent accompaniment to seafood, a main staple in the Japanese diet.

Exports of U.S. wine to Japan in 1986 rose 22 percent in value and 9 percent in volume compared to 1985, making the United States Japan's second largest supplier of bottled wine.

The success is due, at least in part, to major promotional efforts. However, market vagaries also helped, with U.S. wines getting a boost from the weaker dollar and changes in Japanese wine tariffs.

United States Is No. 2 Supplier of Imported Bottled Wine to Japan



U.S. wines also benefited from the adverse publicity about contaminants in European wines. These reports, however, had a temporary negative effect on the total market. Japanese wine consumption fell in 1985, causing a 20-percent decline in bottled wine imports.

Consumption Is Increasing

Japanese wine sales began to recover in 1986 and are expected to continue to expand. Although wine represents only 1 percent of total Japanese alcohol consumption, far behind sales of beer and sake, trade experts expect increased demand because the quality of wine available has improved and patterns of wine consumption are changing.

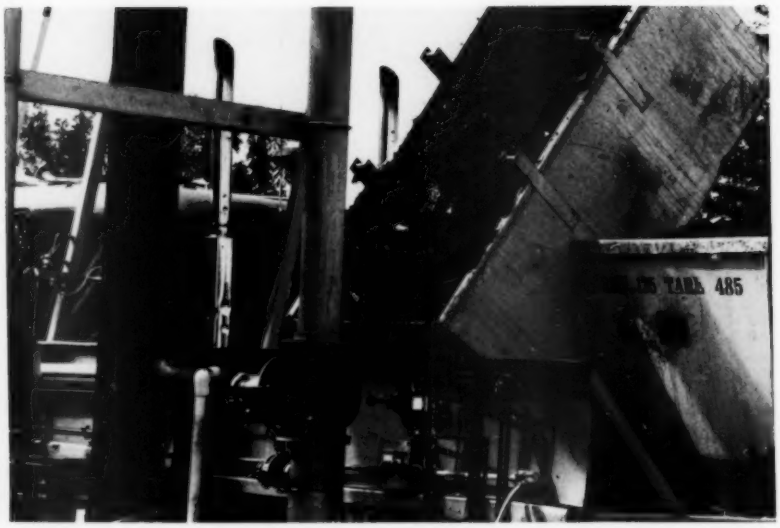
A major factor behind the surge in the popularity of wine has been the heavy use of advertising. Wine tastings and premium campaigns are important sales strategies for major Japanese wineries. Wine tastings often take place at major hotels or restaurants, with participants paying a fee to attend. Premiums such as wine glasses and corkscrews are commonly used as incentives in wine promotion.

While the Japanese have out-spent promoters of foreign wines, U.S. promotions nevertheless have had obvious effects. In fiscal year 1986, the California Wine Institute, through a Targeted Export Assistance (TEA) program, spent $1.5 million to promote California wine in Japan.

The campaign emphasized generic advertising, educational seminars to increase knowledge of California wines, point-of-sale promotions and wine tastings. Promotional efforts have been aimed at the 25- to 40-year-old group, with a special emphasis on women, the fastest growing sector of the market. However, older, more sophisticated wine drinkers also are included in wine promotions.

California exports to Japan during 1986 increased approximately 29 percent from the previous year. Most of this increase has been attributed to the intensified promotional program established through TEA funding. Presently there are over 120 brands of California wine sold in Japan.

Continued growth in demand is expected for U.S. wine in Japan for a number of reasons. California has an appealing image among Japan's younger generation. Japanese consumers enjoy the light taste of U.S. wines. And U.S. wine labels are easier to understand than those on European wines.



Japanese Prefer White Wine at Home

Approximately 55-60 percent of the wine sold in Japan is white, while 20–30 percent is red and 10-20 percent is rosé. About 60 percent of all the wine sold in Japan is for home consumption. Bars, restaurants and other outlets represent about 30 percent of wine consumption, while sales in gift packs make up the remainder.

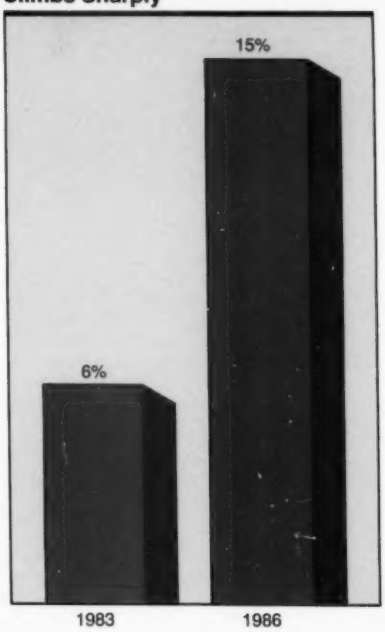
Marketing of imported wines is a slightly different story. It is estimated that 45 percent of all imported wine is sold through restaurants, with 23 percent sold in gift packs.

Domestic Production Is Lagging

The future of wine exports to Japan looks bright, in part because of the decline in Japan's domestic wine production. Between 1983 and 1985, Japan's wine output fell 11 percent, at the same time foreign competition benefited from the strengthening yen.

As long as the economic climate remains favorable, the situation for U.S. wines can only get better. The scarcity of land in Japan prevents large increases in domestic wine production and causes Japanese wineries to rely heavily on imported wine and grape must (crushed grapes not yet processed into wine).

U.S. Share of Bottled Wine Imports Climbs Sharply



Just over 25 percent of the wine bottled in Japan is made from domestic grapes while the rest is accounted for by imported bulk wines and grape must.

Much domestic wine is made from table grapes which cannot be marketed fresh due to quality problems. The "Koshu" variety—a large, sweet, reisling-like grape—is most favored. It also is expensive, more than seven times the average California price for wine grapes.

Tariff System Affects Wine Imports

Despite their attractive prices, U.S. wine exports had been hampered by the Japanese tariff system.

Since the tariff rate on imported bulk wine was lower than that on bottled wine, 52 percent of the 44 million liters of wine imported in 1985 was bulk wine. The United States exports mostly bottled wine to Japan.

Moreover, under the Japanese system, the higher the cost of the wine, the lower the duty as a percent of the c.i.f. price became. For this reason, the structure of Japanese wine tariffs benefited suppliers of premium wines as well as bulk wines.

Since most bottled wine exported from the United States to Japan tends to be relatively low-priced, this tariff structure has inhibited the importation of low-priced, U.S. bottled wines.

Japan's restrictive tariff and tax systems for wine have come under pressure by the United States. Late in 1986, Japan proposed reducing tariff rates on wine and abolishing the ad valorem tax. In March of this year, the Japanese Diet approved the proposal.

Effective April 1, 1987, tariff rates will be reduced from 30.4 percent to 21.3 percent per liter. The minimum duty will be reduced from 132.8 to 93 yen per liter.

Effective Jan. 1, 1988, the Japanese government also will abolish the 50-percent ad valorem tax on bottled wine with a selling price of 1080 yen or above. A single, value-added tax of 5 percent will be applied to domestic and imported wines alike. ■

Hale is the U.S. agricultural trade officer in Tokyo. Berger is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-4620.

Despite Obstacles, Potential Exists for Sorghum Sales

When the U.S. Feed Grains Council and the National Grain Sorghum Producers Association began promoting the use of sorghum as feed grain abroad more than 25 years ago, the first hurdle was relatively simple—product awareness. Few potential customers had ever seen sorghum or knew about its uses. Today, the issues have become much more complex.

Despite tremendous growth in total U.S. sorghum exports since 1960, recent purchases of U.S. sorghum have leveled off or declined in a number of markets. To counter this trend, the U.S. Feed Grains Council has sponsored market assessment missions to regions with great promise. The teams' results provide information on key markets for U.S. sorghum exporters.

The Middle East, North Africa and Asia are good potential markets for U.S. sorghum sales. The assessment teams examined the problems inhibiting sorghum utilization in these reigons and enhanced the Council's sorghum promotion efforts. Here are some of their findings:

Asian Market Is Complicated

Japan, Korea and Taiwan represent three of the top U.S. sorghum markets. Sorghum use in these markets has dropped in the last year due to a number of complicating factors which are discouraging the import and utilization of grain sorghum.

The first of these factors involves sorghum's price relative to other feed grains and to competitor countries' sorghum prices. Unusual activity in the trading of generic commodity certificates in the United States has caused corn stocks to move rapidly out of government storage and onto the open market, forcing a sharp drop in corn prices.

Because sorghum prices have not experienced the same drop, U.S. sorghum has become relatively more expensive compared with corn.

Grain quality also has been cited as a complicating factor. Australian sorghum, in particular, has a reputation for high and consistent quality, standards that U.S. grains must live up to in order to compete.

Japan's Industry Is Inflexible

Japan is the No. 1 U.S. market for sorghum. But Japan's monopolistic feed manufacturing industry is averse to following a flexible method of producing feed, thus inhibiting the use of sorghum.

Japan's licensing system is a major impediment to increased sorghum purchases. Licensed companies can import corn duty-free, whereas non-licensed importers are subject to a 5-percent duty. No license is required to import sorghum, but the 5-percent duty still must be paid, creating difficulty in importing economically.

The high profitability of the feed manufacturing industry in Japan has led to a sense of complacency. Thus, the industry is not as concerned with efficiency as its counterparts in the United States. As a result, there is little pressure to use sorghum or other ingredients in a flexible feed formulation. However, changing this situation challenges the powerful agriculture cooperatives, often the owners of the feed manufacturing industry.

Ironically, the team discovered that U.S. competitiveness in Japan occasionally has been impaired by one factor which usually works in favor of the United States: economies of scale in shipping. In Japan, grain must frequently be delivered in 20,000- to 30,000-ton lots to various points around the country's perimeter. However, U.S. shipments are most competitive in ships of approximately 50,000 tons. China has a built-in advantage in freight costs at the 20,000- to 30,000-ton size and has taken some U.S. shares away for this reason.

Despite the tremendous size of the Japanese sorghum market, growth in the use of feed grains in Japan is expected to be only 1 to 2 percent per year, largely because of flat demand for domestic finished livestock products.

Korean Demand Expected To Increase

The Korean market is primarily price-oriented and is less concerned with quality than is Japan. Thus, high-tannin sorghum, a product of both China and Argentina, is used. This may be the reason that feeders limit sorghum to no more than 15 percent of the ration, although the origin of this "unwritten rule" is not clear.

The advent of inexpensive feed wheat, largely from Canada, Australia and the European Community (EC) also has cut deeply into grain sorghum's market share. Chinese sorghum, with a distinct shipping advantage, has taken away much of what is left of the U.S. market share.

One constraint on more sorghum utilization is simply the size of the market. Imports have not reached a point where economies of scale in shipping are feasible. Korea generally takes small shipments.

As opposed to the sluggish growth in Japan's feed industry, Korea's feed sector is expected to grow at a rapid 10-percent rate annually.

Taiwan Is Competitive, Open Market

In Taiwan, the feed manufacturing business is highly competitive, and the more than 1,000 manufacturers use a variety of different approaches to feeding.

The competition forces these companies to use flexible, least-cost feed formulations, resulting in, at least theoretically, a market open to sorghum utilization. There is still resistance to the color of sorghum here, but this barrier is not as strong as it used to be.

The reference price for corn imports in Taiwan is a policy that clearly has benefited sorghum sales. It is imposed on top of duties and taxes that are put on all commodities. Sorghum is not subject to this "price stabilizer" and is attractive to buyers when the price is below the reference price for corn. Sorghum sales also are assisted in this market by rules which prohibit wheat from being used for feed.

Meat and dairy product consumption is expected to increase rapidly in Taiwan, following a strong upward trend in income. Feed production is expected to grow by 10 percent in 1987.

Creating Interest in the Middle East

A second assessment team traveled to Algeria, Turkey and Saudi Arabia. Rising consumer demand for meat, milk and eggs in the Middle East is leading to rapid expansion in the poultry and livestock industry. Success of recent sorghum feeding trials in the region has created a strong interest in expanding sorghum utilization in several of the countries visited.

In Egypt, the government has lifted a ban on private sector importation of sorghum. The change in policy followed a highly successful water buffalo and poultry feeding demonstration conducted from November 1985 through June 1986. The trials convinced the government that sorghum is a viable feed ingredient, no small gain where tradition has made it difficult for sorghum to be accepted.

However, the government, as the major feed grain importer, continues to be reluctant to take on a new feed ingredient like sorghum, largely because it lacks experience in handling and processing grain sorghum.

Successful Trials Boost Interest

Egypt's minister of agriculture showed strong interest in commercial-scale trials as the final test for government approval of the use of grain sorghum in government facilities. He was attracted to sorghum and the concept of least-cost ration formulation because of the potential for conserving foreign exchange, a crucial consideration for cash-poor Egypt.

Unfortunately, the change at the private sector level has not been measurable because the private sector must compete with subsidized government imports. There is little financial incentive for the private sector to import sorghum, but the country's difficult financial situation has forced the government to declare its intention to end the subsidies.

The recent decline in U.S. prices gives the government confidence that it will be able to wean users from the subsidy and create a truly competitive internal market.

The successful implementation of private sector importation of feed grains could well double the current 2-million-ton import estimate for 1986/87. Some suggest that imports could rise even higher in the near future.

The increase will not come easily, however. Like many oil-producing nations, Egypt has been dealt a severe blow by depressed petroleum prices, and the need for easier credit and more financing for Egypt is obvious.

Algeria Expands Livestock, Poultry Production

Traders in Algeria also were impressed by results of poultry feeding trials utilizing sorghum that were held last summer.

The Algerians conducted commercial-scale demonstrations in early 1987 to provide a "true-to-life" test for sorghum in poultry rations. Interest in the demonstration is fueled by a national priority for expanding egg, milk and meat production.

The success of this program marks a big step in the development of the Algerian market because, as in Egypt, little sorghum was previously used there. The trials convinced Algerian feed researchers that sorghum is a valuable feed ingredient in its own right.

The team was enthusiastic about the possibilities for market expansion as a result of the Targeted Export Assistance (TEA) project that is just getting underway.

The model beef, poultry, sheep and dairy farm to be built with TEA money complements the government's new emphasis on increasing output of livestock products. The model farm also will be an education center servicing a crucial need for disseminating nutritional and feed processing information to Algerian officials and technicians.

Education Needed in Turkey

Since Turkey opened feed manufacturing to its private sector, private feed millers quickly have outpaced government mills in production. In just five years, private manufacturers have reached a production level of 3.5 million tons of finished feed per year, compared to the government's 700,000 tons.

Although the private mills are more efficient than the government's, most are unfamiliar with sorghum. Turkey has yet to import grain sorghum in any significant quantities.

One of the chief problems in Turkey, as well as the rest of the Middle East, is a lack of familiarity not only with sorghum, but with the international grain trade in general.

Many buyers are not aware of how the U.S. marketing system works. The Feed Grains Council has a program of workshops, seminars and grain trade teams to cover all aspects of grain trade from the source of origin to the end-user.

Despite the opening of the grain trade, the government still maintains control on actual importation by limiting the profit margin, thus leaving little or no incentive to import.

Port facilities also are in the hands of the government for the most part, making it difficult for private traders to import even if they wish to do so. Unlike some of the more immediate gains that are possible in Algeria and Egypt, the Turkish market for sorghum will not be built quickly.

Much Optimism for These Markets

Despite the recent lackluster performance in U.S. sorghum exports to Asia and the Middle East, the Feed Grains Council and the Sorghum Producers Association continue to be optimistic about the prospects for the regions.

In the Middle East and Algeria, the Council continues to work to upgrade the level of technical expertise and familiarity with U.S. sorghum, which are prerequisites for effective educational efforts on the value of sorghum.

In Asia, where the level of expertise is much higher, the challenge is to ensure that accurate and thorough technical information is disseminated. ■

This article is based on a report from the U.S. Feed Grains Council, Washington, D.C.

Health Foods Market Flourishes in Switzerland

By Anthony N. Cruit

Although Switzerland is noted for its chocolates and cheeses, a growing awareness among the Swiss of the need for exercise, good eating habits and a healthy life-style has boosted consumer demand for a variety of health foods ranging from edible seeds to frozen low-calorie meals.

To meet this demand, Swiss importers are actively seeking innovative health food products. Good market opportunities are reported for all types of sugarless and unsalted items as well as low-calorie substitutes for traditional foods.

Specialty Stores Lead the Way

Until recent years, health foods were sold mainly through specialized health food stores and chemists (pharmacies).

Of the 730 specialized health food outlets in operation in 1985, 443 stores belonged to the Biona group. Biona is the brand name of products of the Swiss Association of Health Food Stores.

The second largest retail group is the Swiss Association of Chemists. Since 1974, this organization has marketed health food products under the brand name Triamond. In 1985, 216 stores belonged to this group.

With increased emphasis on nutritional information, consumer education and product information, growth in these traditional health food markets is expected to continue.

Supermarkets Venture Into Business

In recent years, however, supermarkets and grocery stores have built up their health food sections and have grown into significant retail outlets for health and diet foods.

From 1980 to 1982, Migros, Switzerland's largest food distributing chain, increased its health food assortment from 63 items to almost 300. Today, Migros is marketing more than 2,000 health food products—particularly low-calorie items.

Products Carried by Swiss Health Food Stores

Baby foods
Beverages and teas
Bio-organic products
Biscuits, wholemeal
Breads and toasts
Cereal, natural mixes
Cosmetics, natural base
Desserts, canned and dry
Dietetic products
Fats and oils, edible
Fruit juices
Fruits, canned/preserved, dried
Grain flakes
Herbs
Honey, natural
Jams and jellies
Low-calorie products
Milk products
Nuts
Products for fitness programs
Ready-to-serve meals
Salts and spices
Seeds, edible
Soya
Unsalted products
Vegetable juices
Vegetables, canned/preserved
Whole grains

General Requirements Must Be Met

Although the health food market encompasses a wide range of foods, beverages and cosmetics, natural remedies, food supplements and other products, Swiss legislation does not provide a clear-cut definition for health foods. Nonetheless, all varieties of health foods are subject to the general Swiss foodstuff ordinance and labeling requirements.

Swiss laws, for example, prohibit many of the additives, preservatives and coloring agents accepted in the United States.

To be marketed in Switzerland, approved products must be labeled in one of the country's three languages—French, German or Italian.

Foods and food supplements must have all ingredients listed in descending order by weight. Units of weight, fill and contents must be expressed in metric measurements. Labels must not picture products that are not contained in the package.

It is the responsibility of Swiss health food importers to assure that appropriate labeling information is provided on packages when they arrive at the Swiss border. Products lacking appropriate labeling information can be rejected.

Characteristics of Health Foods

References to characteristics of health foods also are carefully monitored.

For example, the words "pure" and "natural" cannot be used on product labels unless the product is free of artificial coloring agents, flavoring substances and preservatives.

References to vitamins, dietetic foods and low-calorie products must be licensed by the Federal Office of Health, and references to curative effects must be licensed by the Intercantonal Office for Remedies.

Major Swiss Food Stores That Carry Health Foods[1]

Coop Switzerland
Mr. A. Hardegger
P.O. Box 2550
4002 Basel
Telephone: 061 20-61-11
Telex: 62 133

Denner Ag
Food Marketing
Grubenstrasse 10
8045 Zurich
Telephone: 01 462-77-60
Telex: 813 292 DENA CH

Magazine Zum Globus
Zentralverwaltung - Delicatessa
Mr. Alex Keller
Eichstrasse 27
8045 Zurich
Telephone: 01 463-44-11
Telex: 52 791 GLOB CH

Migros Genossenschaftsbund
Department of Food Marketing
Mr. E. Gugelmann
Limmatastrasse 152
8005 Zurich
Telephone: 01 277-21-11
Telex: 558 311

Sego Ag
Industriestrasse 25
8604 Volkertswil
Telephone: 062 34-21-21
Telex: 56 388 USE CH

Eg - Burgdorf
Purchasing Department
Mr. Peter Jordi
Kirchenbergstrasse 107
3400 Burgdorf
Telephone: 034 21-61-00
Telex: 914 101 EGUB CH

[1]All major importers correspond in English.

Since only agents or representatives based in Switzerland can apply for registration and licensing of references to dietetic and health food characteristics, some U.S. exporters of health food products look for long-term business partners in Switzerland. ■

Key Contacts

Swiss Government

For information on food products, excluding meat products:

Bundesamt Fuer Gesundheitswesen
(Federal Office of Health)
Attn: Dr. M. Bruegger
Haslerstrasse 16
CH - 3008 Bern
Telephone: (31) 61-95-86
Telex: 33880 OFSP CH

For information on meat, meat products and aquaculture products:

Bundesamt Fuer Veterinaerwesen
(Federal Veterinarian Office)
Attn: Dr. J. Shluep
Schwarzenburgerstrasse 161
CH - 3097 Liebefeld/Bern
Telephone: (31) 59-81-11
Telex: 33877 BVET CH

For information on medical claims:

Interkantonale Kontrollstelle Fuer Heilmittel
(Intercantonal Office for Remedies)
Erlachstrasse 8
3006 Bern
Telephone: (31) 23-01-05

Private Industry

For information on marketing health foods in Switzerland:

Swiss Association of Health Food Stores
Biona
Attn: Mr. Egon Raesz, Director
Ekkehardstrasse 9
8006 Zurick
Telephone: 01 363-60-40

Swiss Association of Chemists
Amidro - Triamond
Attn: Mr. Arni
Laengfeldweg 119
2501 Biel
Telephone: 032 42-42-61
Telex: 32 392

The author is U.S. agricultural counselor in Bern, Switzerland.

Michigan Is Helping To Build A Dairy Farm in China

By Jerry Dunn

In an effort to increase the amount of milk and dairy products available to its people, the Chinese province of Sichuan is building a model dairy farm with help from the Michigan Department of Agriculture.

When the Chinese decided to expand their milk production, they realized they needed not only more cows, but more technology, more expertise and more training if they were to be successful.

The Scope of China's Goal

Per capita consumption of fresh milk in China is about 3 pounds annually, compared with 243 pounds in the United States. China has set a national goal to increase that number to 66 pounds by the year 2000.

Currently, Sichuan province has about 26,000 dairy cows supplying milk for a population of more than 100 million. The government there plans to increase the size of its dairy herd to 1 million animals by 1990. It also hopes to increase annual fresh milk consumption to 33 pounds per person by 1995, and to 44 pounds by the end of the century.

The first step toward that goal was listing a dairy farm in the city of Yang Ping with the Sichuan Symposium of International Eco-Tech Cooperation and Trade. Through this listing, officials hoped to locate companies or organizations interested in selling dairy cattle, selling and installing dairy equipment and making a long-term commitment for the training of Chinese technicians to staff and operate a new, modern dairy farm.

Michigan Answers China's Call

The Michigan Department of Agriculture answered that need. Early in 1985, Michigan Department of Agriculture representatives contacted Sichuan officials and outlined a model dairy farm proposal.

Sichuan officials invited representatives from the Governor's Michigan Commission on China, the Michigan Department of Agriculture and several Michigan private sector companies to meet in Sichuan province to discuss the proposal and work out details of a tentative joint agreement.

From the inception of the proposal, the Michigan Department of Agriculture intended to encourage a private sector company to implement the model farm project. Progressor Farms of Howell, Mich., was selected as the project's implementation company. This private company planned a chronology for the construction of the model farm.

Yang Ping Selected as Site

A dairy farm already in operation near Yang Ping was selected as the project's site because of the area's rich soil, excellent climate and adequate water supply.

The Michigan Department of Agriculture, working through Progressor Farms, is in charge of designing the farm facilities, training programs and management systems, collecting and organizing cost data for the purchase and export of equipment and livestock to China and training key personnel from Sichuan province at Michigan facilities.

It also provides advisors and training at the Yang Ping facility and seeks additional support from government foundations and private industry to share 20-30 percent of the total cost of the proposal.

Under the same agreement, the Sichuan Provincial Department of Agriculture provides the farm facilities and adequate land to support the project, makes all necessary capital improvements in the buildings and utilities and purchases the equipment and livestock that needs to be imported.

The Department also manages all internal finances including costs of labor, materials, income and taxes and shares 70 to 80 percent of the cost of the proposal.

Construction Is M-o-o-ving Along

Currently, the construction of the dairy farm is on schedule and several training programs are in progress. In mid-January 1987, representatives from the China Agriculture and Breeding Stock Company arrived in Michigan to select and quarantine specific cattle for export to Yang Ping.

In late January, 16 Chinese students arrived for four months of training in Michigan conducted by the various firms selling equipment and technology for the model dairy farm.

Projects for completion in 1987 include starting advanced technology transfer and beginning a training program for embryo transfer, computer management of herd health and breeding records, planning and constructing the processing and packaging facilities, continuing the importation of Michigan dairy cattle and planning of any future expansion of the Yang Ping Dairy Farm.

Farm Will Have Long-Term Benefits

The model farm program, which should be fully operational by 1988, will have a long-reaching impact on Sichuan province. It will provide the Chinese with a profitable, modern farm and processing facility that will produce large quantities of high-quality fresh milk and related dairy products.

At the same time, the program will introduce the latest technology in feeding and care of dairy animals, offer many new educational opportunities for the Chinese and train a large number of local Sichuan residents as agricultural technicians.

The project has already created more than $3 million in educational and training contracts and equipment sales for Michigan firms.

Michigan has become a word synonymous with milk and milk products in China. ■

The author is with the Michigan Department of Agriculture, Lansing, Mich. (517) 373-1104.

U.S. Horticultural Exports Score Gains in Singapore

By John Toaspern

With its per capita income ranking as the second largest in Asia behind Japan, Singapore is an attractive market for horticultural products, and U.S. exporters are scoring some significant gains in this market.

Over the past decade, the value of Singapore's imports of fruits and vegetables has more than doubled. During the same period, the U.S. share of the market has moved up a few notches, rising from 11 to 15 percent.

This translates into impressive sales gains as imports of U.S. horticultural products rose 260 percent to $62 million between 1975 and 1985, the latest year for Singaporean import data.

Joined by rail and road with Malaysia, Singapore lies just off Malaysia's southern tip at the heart of the sea lanes linking the Indian and Pacific oceans and the South China Sea. Singapore's port is one of the busiest in the world—with vessels arriving and departing every seven minutes.

Overall Outlook Remains Bright

Based on renewed growth in the domestic economy, the outlook for Singapore's fruit and vegetable market is bright.

With agricultural production limited to small quantities of pork and vegetables, Singapore, which has no barriers to the free entry of food items, offers a sizable market for food products. There are 2.7 million inhabitants in Singapore, and the tourist flow stands at 3 million annually.

Singaporeans spent $2.5 billion on food and drink in 1985. Household expenditures on these items doubled over the past decade. Approximately one-half of food outlays are spent on meals eaten outside the home.

While traditional, ethnic dishes still dominate in the home, western-style restaurants and fast food outlets are extremely popular. Singapore also offers exporters a large market for processed, value-added snack foods.

The trend toward western-style foods should continue. In fact, the health food industry offers great potential as Singaporeans become more health conscious—as reflected in the tremendous success of a recent government anti-smoking campaign.

Between 1985 and 1986 alone, health food sales doubled to $6 million. (See *Foreign Agriculture,* April 1987.)

Make-Up of the Marketplace

One facet to keep in mind when analyzing this import market is that Singapore is an important transshipment point for Asian trade routes. About two-thirds of all imports are re-exported.

In recent years, some countries in the region, especially Malaysia, have been encouraging direct shipments to their own ports. Therefore, recent import figures for Singapore may appear to be stagnating or falling due to the decline in transshipments, although consumption in Singapore actually is increasing.

Who Are the Chief Competitors?

Competition for U.S. horticultural products comes mainly from Australia, Israel and the European Community (EC).

Both Australia and the EC are working hard to expand sales throughout the Pacific Rim. Australia relies on extensive advertising, especially on television, while the EC uses export subsidies for many horticultural products shipped to the region.

However, for most products from Australia and New Zealand, the Southern Hemisphere seasons produce complementary rather than competitive shipments with those from the United States.

Singapore's Leading Imports

Here is a look at the products that do well in the Singapore market.

Citrus. The United States was the leading supplier of citrus to Singapore in 1985, where oranges accounted for 88 percent of the citrus market.

Although orange imports increased only 6 percent during the previous five years, the U.S. share rose 23 percent. Oranges are consumed either whole or as fresh-squeezed juice, with a small number being used for jam or in baking.

Singapore's grapefruit imports rose modestly as domestic consumption expanded 41 percent, but re-exports fell to just 13 percent of all imports. The U.S. share stood at about one-fourth while Israel was tops with one-third of the market.

Malaysia dominates the market for lemons and limes. China and Taiwan account for almost all the imports of mandarins and tangerines.

Noncitrus Fruit, Melons and Berries. The United States, with shipments valued at $23.5 million, accounted for about one-third of this market in 1985. Despite the higher cost, many Singaporeans prefer temperate fruits to tropical ones.

The United States supplied 42 percent of Singapore's apple imports, but market leadership has been volatile. China, the major supplier in 1979 and 1980, is no longer present in the market, while Australia, the 1981 and 1982 leader, has dropped to third place behind New Zealand.

The United States faced increased competition with the entry of France into the market in 1985.

In an effort to boost U.S. horticultural exports to Singapore, the California State Department of Agriculture staged a highly successful California Food Show in October 1986.

At the show, four types of pears were introduced to the Singapore market. All four received favorable responses in a market where U.S. sales have been small.

Although U.S. grape shipments to Singapore rose more than one-quarter during 1980-85, the gain was slower than the overall market growth. Thus, the U.S. share tumbled from a commanding 73 percent in 1980 to 56 percent five years later. The major competitor is Australia.

Prices have remained stable while incomes have risen substantially, making grapes much more affordable and no longer a luxury item for special occasions.

Singapore's imports of fresh stone fruits rose about one-sixth during the five-year period. The U.S. share was one-third in 1985, far behind Australia's top position. However, cherries appear to be an expanding market in which the United States historically has dominated.

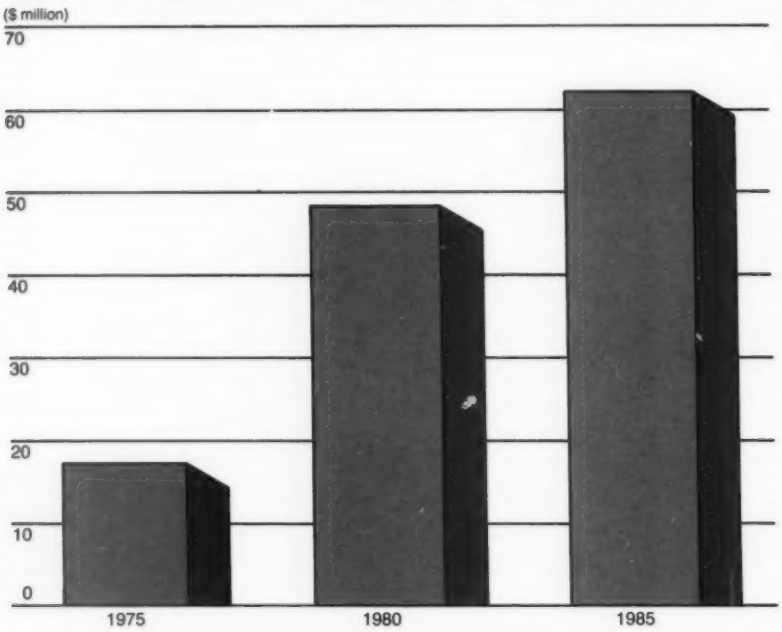
The U.S. slice of the melon market was very small, but U.S. exporters captured almost two-thirds of the berry market in 1985. Berries are extremely expensive in Singapore, with the U.S. product commanding the top dollar of $4,827 per ton.

The United States also is the leading supplier of figs.

Fresh Vegetables. The United States provides very little in this category as supplies from local and nearby producers dominate.

However, opportunities exist for U.S. exporters of potatoes and onions. These commodities are supplied by Australia and the Netherlands, both of which face similar transport and production costs as U.S. supppliers.

U.S. Fruit and Vegetable Exports to Singapore Triple



Tree Nuts. Tree nuts are not popular in Singapore, where the preference is for softer varieties, such as cashews. The major U.S. export to this market is almonds, both shelled and processed.

During 1980-85, Singapore's almond imports nearly doubled with a corresponding benefit for U.S. exporters who supplied 97 percent of the 1985 purchases.

Fruit and Vegetable Juices. The United States also was the major supplier of fruit and vegetable juices, with a 30-percent share valued at $3.6 million in 1985.

Not only is the United States the leading supplier, but it also receives the highest price for its product. This indicates that Singaporeans are willing to pay for a high-quality product.

Orange juice comprises 40 percent of the juice market, with the United States getting the top dollar as well as biggest share (27 percent), followed by Israel (21 percent) and Brazil (14 percent).

The United States provided 40 percent of Singapore's grapefruit juice imports and 80 percent of tomato juice imports in 1985.

Canned Fruit. Singapore's market for canned fruit in syrup has been shrinking since 1980, reflecting a growing taste for fresh fruit.

Fruit mixtures head the list of canned fruit imports, but the volume slipped nearly one-third between 1980 and 1985. The U.S. share tumbled from 89 percent to 65 percent during the same period.

Again, U.S. imports—worth $1.5 million in 1985—were the most expensive, but they outsold those from the Philippines and Australia, the next largest suppliers.

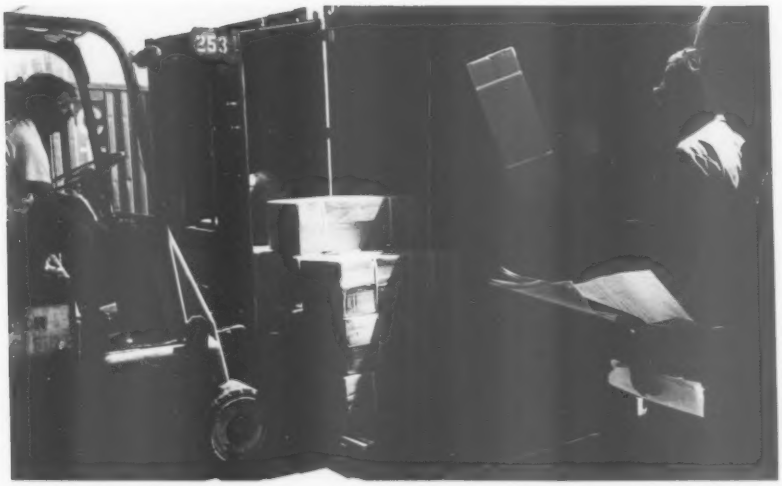
Singapore's imports of canned peaches dropped almost by half between 1980 and 1985. The U.S. share fell from 70 to 50 percent, with Australia in second place at 40 percent. The per-ton 1985 c.i.f. figures for canned peaches were: United States, $1,302; Australia $766.

Other Products. During the five-year period under study, some other U.S. processed agricultural products showed striking gains. Imports of U.S. raisins doubled in volume, reaching 1,232 tons.

Singapore's purchases of U.S. frozen french fries, which benefited from a boom in the fast food industry, also rose twofold, hitting 2,636 tons valued at $2 million in 1985. ■

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 382-8876.

New Coding System Will Standardize Commodity Descriptions



By Eugene Philhower

Beginning in January 1988, a new international system for describing commodities should help simplify trading terms for exporters and others involved in international trade.

The new Harmonized Commodity Description and Coding System—referred to as the harmonized system—was developed under the General Agreement on Tariffs and Trade (GATT). The system is a series of four- to 10-digit codes for tariff determination, statistical record keeping and other uses.

It will provide greater uniformity in worldwide tariff classification, making it easier for exporters to determine an importing country's tariff rates.

In addition, since participating countries will publish trade statistics according to the new system, world trade data will be more precise.

For trade negotiators, the new system will help identify concessions and verify commitments to trade.

Existing Coding Systems Vary

Currently, major trading nations use different nomenclature systems to record and track their imports and exports. While most European countries use the Customs Cooperation Council Nomenclature (CCCN), the United States and Canada use their own systems.

The United States uses the Tariff Schedule of the United States (TSUS) for imports and Schedule B for exports. The numbers in these two documents generally are close, but they are not the same. For example, durum wheat imports are classified under TSUS 13070 and durum wheat exports are classified under either 130.6520 or 130.6540. Under the harmonized system, both would be classified as 10011000.

U.S. Efforts Began in 1974

U.S. involvement in developing the harmonized system was initiated by the Trade Act of 1974. Under that law, the International Trade Commission (ITC) is responsible for converting the TSUS into the new nomenclature.

The ITC has tried to avoid changing duties on individual products. It also has attempted to simplify U.S. tariffs without significant rate changes for U.S. industry, workers or trade, and to alleviate administrative burdens on the U.S. Customs Service.

Final Congressional approval will be required for implementation of the harmonized system because duty rates on some products will be affected.

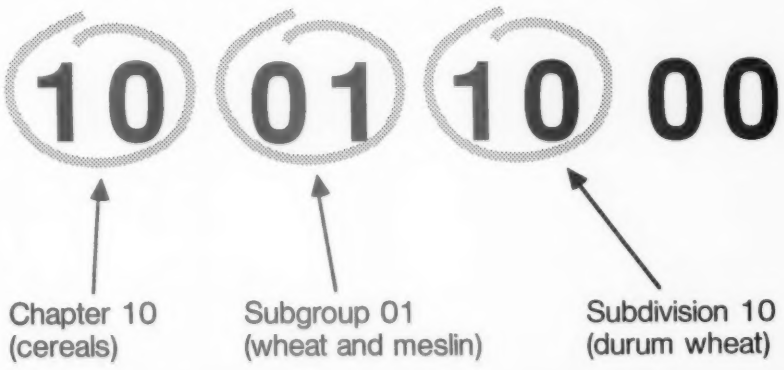
Under the auspices of the international Customs Cooperation Council in Brussels, representatives of major trading nations have been working on a technical conversion of their existing schedules. The international agreement states that six digit numerical codes in 97 chapters will cover all traded items from purebred breeding horses (0101.1100) to antiques (9706.0000).

The United States will use an eight digit number for tariff lines. The first two digits represent the chapter in which the item appears, the second two indicate the position within that chapter and the third denotes its subdivision.

Countries may make additional subdivisions for statistical purposes. For example, for wheat, the code 10011000 shows that it is in chapter 10 (cereals), subgroup 01 (wheat and meslin), subdivision 10 (durum wheat).

The U.S. conversion was radical and required modification of existing GATT tariff commitments. Therefore, the United States was required to negotiate with its

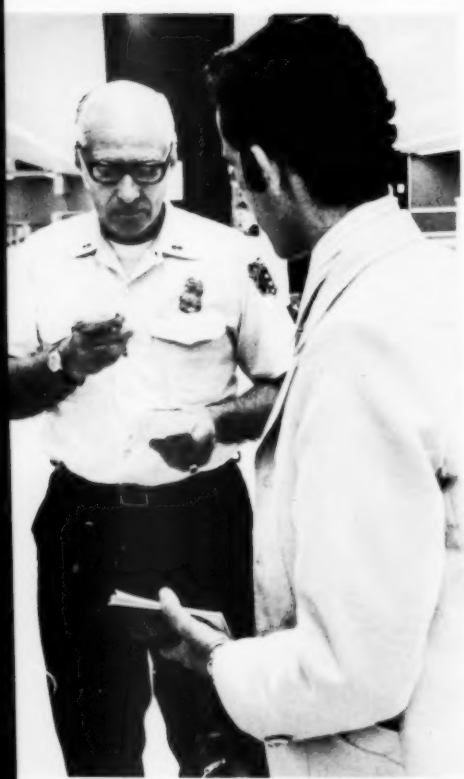
A Sample of the New Coding System



Agriculture in the New System

Agricultural commodities generally fall in the first 24 chapters of the harmonized system. Those chapters cover:

1. Live animals
2. Meat and edible meat offals
3. Fish and crustaceans, mollusks and other aquatic invertebrates
4. Dairy produce; bird's eggs; natural honey
5. Products of animal origin, not elsewhere specified or included
6. Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage
7. Edible vegetables and certain roots and tubers
8. Edible fruit and nuts; peel of citrus fruit or melons
9. Coffee, tea, mate, and spices
10. Cereals
11. Products of milling industry
12. Oilseeds and oleaginous fruit
13. Lac; gums, resins and other vegetable saps and extracts
14. Vegetable plaiting material
15. Animal or vegetable fats and oils
16. Preparations of meat or fish
17. Sugar
18. Cocoa and cocoa preparations
19. Preparations of cereals, flour, starch or milk
20. Preparations of vegetables, fruits, nuts
21. Miscellaneous edible preparations
22. Beverages, spirits and vinegar
23. Residues from food industries, prepared animal fodder
24. Tobacco



trading partners to re-establish the balance of previous tariff concessions.

Bilateral negotiations were conducted with numerous countries in two phases. The first concentrated on technical issues such as classification of goods and tariff rate derivations.

The second round of negotiations, which will be complete shortly, is to finalize the bound tariff rates for participating countries. The President's guidelines state that the conversion should be tariff neutral, in terms of duties collected, as much as possible.

This generally has been the case for agricultural products and the negotiations have been relatively uncomplicated. However, negotiations for textiles have been much more difficult.

Negotiations with Canada, the United States' largest trading partner, have been especially complex since both countries are undergoing significant conversions of their tariff schedules.

Private Sector Involvement

The private sector has been involved with the conversion process from the beginning. Drafts of the converted TSUS were issued and the International Trade Commission held public hearings on them. Numerous industries, associations and individuals provided advice, information and suggestions. Their concerns were addressed in the revision process.

There was a special effort to involve the Agricultural Technical Advisory Committees (ATAC) and to solicit their comments on the harmonized system.

These eight committees are made up of representatives of different commodity groups. They provide the Secretary of Agriculture and the U.S. Trade Representative with advice and recommendations on a wide range of agricultural issues in connection with U.S. trade policy.

Briefings were held on the harmonized system for the committees and all ATAC members were notified of requests for foreign conversions affecting U.S. agricultural exports.

Conversion to the Harmonized Commodity Description and Coding System has required development and publication of educational materials, conversion of all U.S. Customs documents, modification of Custom's rulings and conversion of numerous trade data banks. However, the potential trade benefits—for U.S. agriculture and other industries as well—should be significant. ■

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Country Briefs

China

South Seen as Good Market For Breeding Stock, Feeds

South China is currently in the process of modernizing and developing its livestock, feed and food industries. This represents a sizable potential market for U.S. agricultural exports, especially for breeding stock and feed grains.

Corn and soybeans must be imported to meet the demand of the livestock sector in South China for quality feed. These commodities currently are being exported by North China, but are in short supply in the South. China was particularly active in international corn markets in late 1986, making purchases largely for destinations in South China. China also made some purchases of U.S. soybeans in 1986.

In 1986, one Guangzhou area joint venture farm imported 1,456 breeding swine from the United States and a joint venture dairy farm imported 360 U.S.-bred heifers. While lack of foreign exchange and stringent quarantine requirements could curtail imports of breeding stock this year, demand still exists and some imports still are possible.

Although the greatest trade potential is currently in the feed and livestock sectors, South China promises to become a growing market as well for other commodities such as U.S. wheat, value-added foods and wood products.—*Larry Senger, Agricultural Trade Officer, Guangzhou.*

Egypt

Need Remains Heavy for Imported Wheat Flour

With the Egyptian population expanding by over 1 million persons every eight months, demand for basic staples produced from wheat flour continues to grow at a rapid rate. And while the Egyptian government is attempting to expand domestic milling capacity in order to save on foreign exchange, flour imports still are necessary.

Wheat and flour currently are the leading food import items in Egypt. They also are staples of the Egyptian diet, with annual per capita consumption of approximately 170 kilograms on a grain equivalent basis. To meet 1986 consumption requirements of 8.5 million tons, the Egyptian government imported 4.5 million tons of wheat and 1.5 million tons of flour during the year.

While the government has a long-term goal of increasing its wheat production, in the near term it is focusing on expanding domestic milling capacity. To meet the growing demand of Egyptian consumers—particularly for higher quality breads and pasta—and to reduce imports, the government is planning to construct 21 new flour mills over the next seven years. The new plants will mill up to 2 million metric tons of wheat annually and increase current milling capacity by approximately 50 percent. However, given the growing demand for flour, this increased capacity is not expected to eliminate the need for flour imports.—*Gerald Harvey, Agricultural Counselor, Cairo.*

Italy

Wine Consumption Declines in 1986

Italian wine consumption is estimated to have declined 5 percent during 1986, the result of changes in Italian food habits and the methanol scandal of last spring.

Press reports indicate that since the methanol crisis, the Italian wine consumer is more likely to buy high-quality wine. In southern Italy, about 60 percent of wine consumers are buying table wine directly from local family wineries, more as a guarantee of safety of the wine than specifically for the quality.

Italian wine exports also were down significantly during the first half of 1986. Press reports indicate a decline of 38 percent from the same period in 1985. Sales to the United States declined 26 percent.

In an effort to confront the general decline in consumption, the Italian government has announced it will spend the equivalent of $36 million to promote Italian wines in foreign and domestic markets over the next year and a half. Roughly $2.5 million will be spent to promote Italian wines in the U.S. market.—*Mattie Sharpless, Agricultural Counselor, Rome.*

Japan

Decline in Smoking Could Cut Tobacco Market

The percentage of smokers among Japanese adults is at a record low, according to the results of a poll published recently by Japan's tobacco industry. Only 36.7 percent of the 16,000 men and women polled throughout the country in June 1986 said that they smoked.

Smoking among men stood at a record low of 62.5 percent, down from 64.6 percent the previous year. Smoking among men peaked at 83.7 percent in 1966. It then stayed fairly level for several years before going into decline. The proportion of Japan's adult male population who smoke has fallen by more than 20 percent in the past 20 years. Among adult women, the percentage of smokers in the latest survey was 12.6, another record low, down from 13.7 the previous year.

Industry officials believe it is inevitable that Japan's total leaf tobacco requirements will trend downward, but they do not know whether domestic or imported leaf will be more affected. Much will depend on consumer preferences, that is, whether Japanese smokers prefer typical American-type blends, such as "cabin" in which more U.S. leaf is used, or whether they prefer others, such as "mild seven," in which a higher ratio of domestic leaf is used.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

The Netherlands

Citrus Market Big; Competition Strong

The Netherlands is an important citrus market—and probably can lay claim to being the largest per capita consumer of oranges in the world. In 1985/86, the Dutch set a record for fresh orange consumption: 19.1 kilograms per person. A further increase in fresh orange imports and consumption is expected in 1986/87 if prices remain reasonable. Imports and consumption of grapefruit, tangerines, lemons and orange juice also are expected to gain this season, while grapefruit juice imports probably will decline because of higher prices.

U.S. citrus exporters face stiff competition in the Dutch market, particularly from Brazil and Argentina. In fact, the United States is a residual supplier of most citrus items except fresh grapefruit. While the recent U.S.-EC citrus agreement will not change this basic situation, the improved access may allow U.S. exporters to compete more favorably when other suppliers are not able to meet demand at reasonable prices.

Fresh grapefruit and minneolas appear to offer the best prospects for increases in U.S. citrus exports to the Netherlands in the current season.—*John E. Montel, Agricultural Counselor, The Hague.*

Singapore

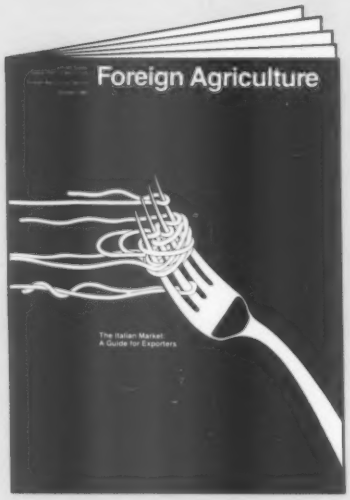
Market Exists for Broader Array of U.S. Foods

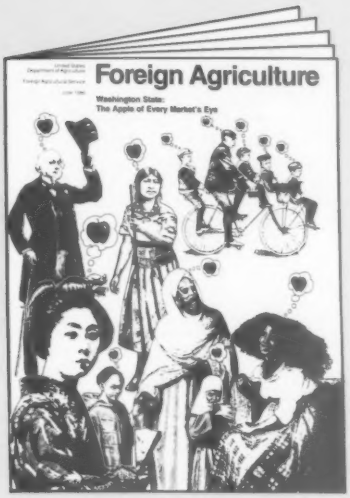
The Singapore economy is exhibiting signs of recovery from the recent recession. Nevertheless, significant increases in economic growth are not expected in 1987. Continued economic problems will limit the expansion of Singapore's imports of agricultural products.

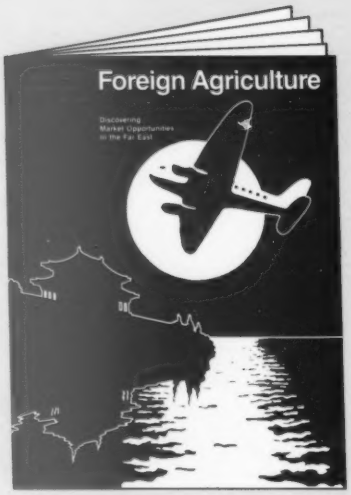
Despite the recession, the United States has strengthened its position in the Singapore market. This stronger U.S. market share is due largely to increases in sales of traditional food imports. However, the U.S. market share has slipped for some categories of commodities where consumption is growing rapidly. Part of the problem is due to expanded competition from suppliers in Southeast Asia.

To tap the potential of the Singapore market, and the areas in Southeast Asia to which it re-exports, the U.S. agricultural trade office is encouraging U.S. exporters to introduce new products to Singaporean consumers. A special effort is being made to broaden the consumption of U.S. food products beyond the higher income Singaporeans and the expatriate community and to work with food outlets that serve the large, lower end of the market. Important areas of emphasis for 1987 are food industry management seminars and encouraging greater investment by U.S. agribusiness firms.

In 1986, the Singapore office was successful in opening up several new markets in Southeast Asia, resulting in first-time sales of U.S. rice to Papua New Guinea and U.S. beef, wine and seafood to Australia.—*Peter Kurz, Agricultural Trade Officer, Singapore.*







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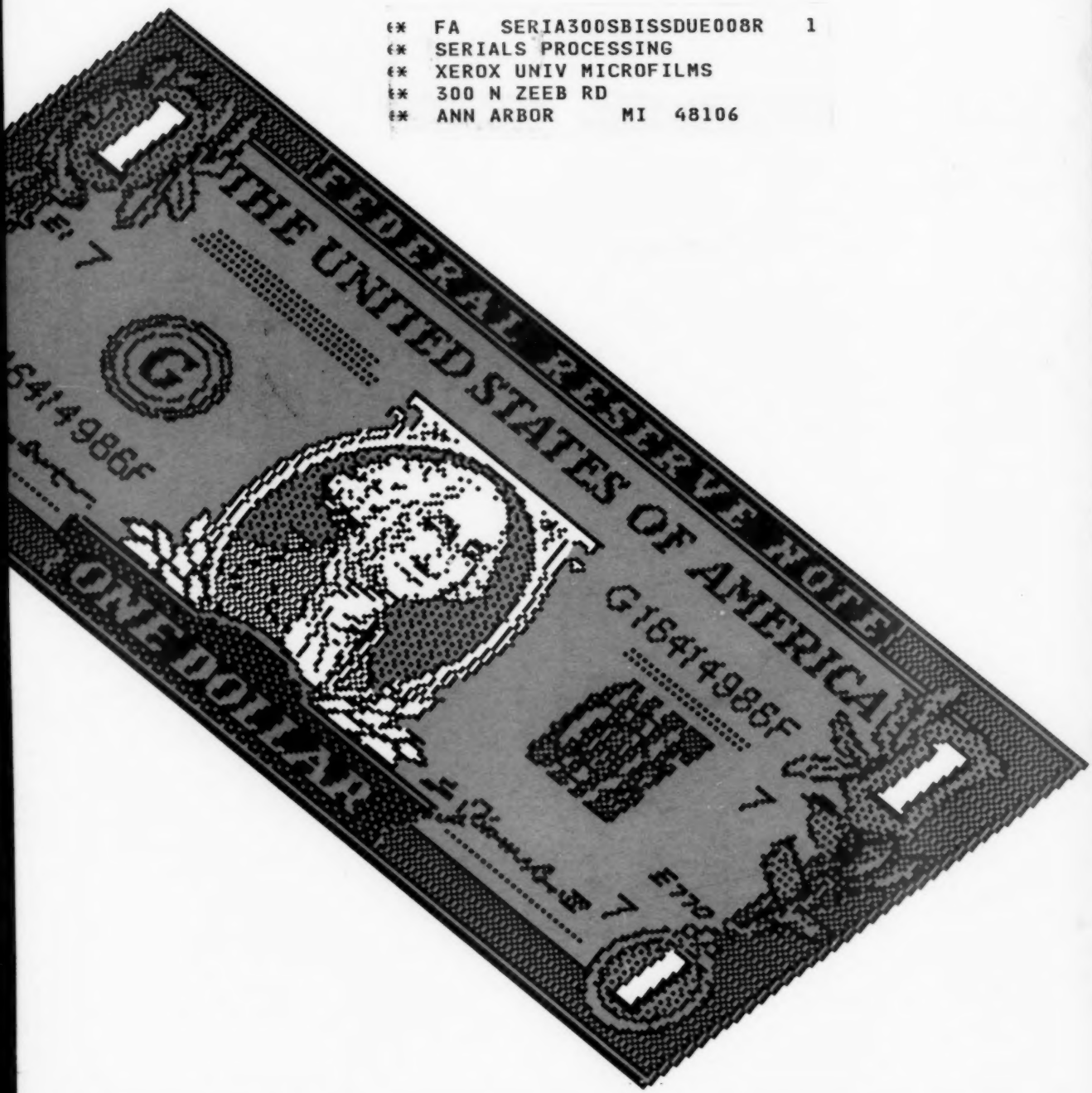
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